

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-02-3
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ORDER DENYING MOTION FOR RECONSIDERATION

(Issued July 26, 2002)

On July 12, 2002, the Iowa Consumers Coalition (ICC) filed with the Utilities Board (Board) a request for reconsideration of the Board's June 27, 2002, "Order Setting Temporary Rates, Approving Corporate Undertaking, and Requiring Additional Information." The cities of Dubuque, Grinnell, and Newton joined in the motion on July 15, 2002. The ICC asked for reconsideration of that part of the order which allocated the temporary rate increase to Interstate Power and Light Company's (IPL) four pricing zones such that zonal rate disparities would begin to be reduced and not be further exacerbated. The ICC did not ask for reconsideration of the amount of the temporary increase. The Community Coalition for Rate Fairness (CCRF) filed a resistance to the ICC's motion on July 23, 2002.

In support of its motion, the ICC states that while it "understands the Board's desire not to increase zonal price disparity, more than that general concern is necessary to impose the burden of a disproportionate rate increase on certain IPL customers." The ICC argues that the allocation of the temporary rate increase is not consistent with "previously established regulatory principles" as required by Iowa Code § 476.6(13).

In its resistance, the CCRF said the motion for reconsideration added nothing of substance to the prior arguments by the ICC that were expressly considered and rejected by the Board in its June 27, 2002, order. The CCRF also noted that the ICC has not shown that its members are not adequately protected by IPL's statutory obligation to refund, with interest, all temporary rates in excess of the permanent rates established at the conclusion of this proceeding. Finally, the CCRF argued the Board's June 27, 2002, order was in fact consistent with previously-established regulatory principles and provided citations to the principles.

The Board believes its June 27, 2002, order adequately explained the reasons for the allocation of the temporary rate increase. The Board notes that it has on other occasions approved allocation of temporary rates on other than an across-the-board basis. MidAmerican Energy Company, "Order Setting Temporary Rates and Approving Corporate Undertaking," Docket No. RPU-02-2 (6/12/02); MidAmerican Energy Company, "Order Setting Temporary Rates and Approving Corporate Undertaking," Docket No. RPU-98-5 (1/22/99); Peoples Natural Gas Company, Docket No. RPU-92-6 (7/31/92).

Allocating temporary rates by imposing an across-the-board increase would exacerbate existing IPL zonal disparities and be inconsistent with past Board pronouncements regarding the movement toward cost-based rates. An across-the-board increase would also be inconsistent with the Board's cost of service rules. In general, it is assumed for costing purposes that a utility is an integrated system rather than a collection of separate regional entities and that customer classes are

established on the basis of reasonably similar usage patterns rather than geography.
199 IAC 20.10(2).

IPL witness Berentsen in his initial prefiled testimony filed in this docket acknowledged that the zonal rate disparities existed only for historical reasons. None of the filings regarding temporary rates provided any cost-based or other factual support for the zonal disparities, but only conclusory allegations that evidence supporting the disparities could be presented in the full rate case. It is true, as ICC asserts, that intervenors in this proceeding may present evidence in the full rate case that could support, at least to some extent, existing zonal disparities. However, the current zonal disparities are so large that it would be untenable and contrary to the Board's established ratemaking principles regarding cost-based rates to approve an across-the-board temporary rate allocation that would exacerbate the gap between the high price zones and the low price zones.

IT IS THEREFORE ORDERED:

The motion for reconsideration filed by the Iowa Consumers Coalition on July 12, 2002, is denied.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Sharon Mayer
Executive Secretary, Assistant to

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 26th day of July, 2002.